



Department of Homeland Security Office of Inspector General

Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2010 Drug Control Obligations





**Homeland
Security**

JAN 26 2011

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report presents the results of the review of the Table of FY 2010 Drug Control Obligations and related disclosures of the U.S. Customs and Border Protection (CBP) for the fiscal year ended September 30, 2010, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. CBP's management prepared the Table of FY 2010 Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Table of FY 2010 Drug Control Obligations and related disclosures for the year ended September 30, 2010, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. However, management asserted that CBP did not obtain ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million as required by the ONDP Circular. KPMG LLP is responsible for the attached independent accountants' report dated January 20, 2011, and the conclusions expressed in the report. We do not express an opinion on the Table of FY 2010 Drug Control Obligations and related disclosures.

We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in blue ink that reads "Anne L. Richards".

Anne L. Richards
Assistant Inspector General for Audits



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Accountants' Report

Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of FY 2010 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) for the year ended September 30, 2010. We have also reviewed the accompanying management's assertions for the year ended September 30, 2010. CBP's management is responsible for the preparation of the Table of FY 2010 Drug Control Obligations, related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Table of FY 2010 Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2010 Drug Control Obligations, related disclosures, and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (Circular).

In the accompanying management's assertions for the year ended September 30, 2010, management asserted that CBP did not obtain ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million, as required by the ONDCP Circular.

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of FY 2010 Drug Control Obligations and related disclosures for the year ended September 30, 2010, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting* (May 1, 2007), or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting* (May 1, 2007).

This report is intended solely for the information and use of the management of DHS and CBP, the DHS Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 20, 2011

1300 Pennsylvania Avenue NW
Washington, DC 20229



**U.S. Customs and
Border Protection**

JAN 20 2011

R. Gil Kerlikowske
Director, Office of National Drug Control Policy
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Kerlikowske:

The attached represents U.S. Customs and Border Protection's (CBP) Fiscal Year (FY) 2010 Detailed Accounting Submission on National Drug Control Funding. In FY 2010, CBP reported an expenditure amount against direct obligations of approximately \$2,046.142 million.

If you have any questions regarding this submission, please feel free to contact me at (202) 344-2300, or a member of your staff may contact Mr. Keith Bratt at (202) 344-2472.

A handwritten signature in blue ink that reads "Deborah J. Schilling".

Deborah J. Schilling

Attachments

**DEPARTMENT OF HOMELAND SECURITY
U.S. CUSTOMS AND BORDER PROTECTION
Detailed Accounting Submission of FY 2010 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2010 Drug Control Obligations

(Dollars in Millions)	
FY 2010	
Drug Resources by Budget Decision Unit and Function	
Salaries & Expenses	
Intelligence	\$240.940
Interdiction	1,373.960
Total, Salaries and Expenses	1,614.900
Air & Marine Operations	
Intelligence	97.029
Interdiction	334.213
Total, Air & Marine Operations	431.242
Total Obligations	\$2,046.142
High Intensity Drug Trafficking Area (HIDTA)	
Intelligence	\$0.008
Interdiction	0.220
Total, HIDTA Transfer	\$0.228

1. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission bureau that calculates obligations, by budget decision unit and function, pursuant to an approved drug methodology. On the basis of past practice, five organizations within CBP, [the Offices of Border Patrol (OBP), Field Operations (OFO), Information Technology (OIT), Training and Development (OTD), and Air and Marine (OAM)], were provided with guidance on preparing estimates for the Fiscal Year (FY) 2010 annual reporting of drug control obligations. OBP, OAM, OIT, OTD, and OFO were asked to estimate what portion of their activities is related to drug enforcement. The aforementioned portions are based on the expert opinions of the offices.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. OBP, OIT, OFO, and OAM attribute their resources to both intelligence and interdiction functions, while OTD attributes its resources solely to interdiction.

OFFICE OF BORDER PATROL

OBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico, and nearly 2,700 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. There were 20,266 Border Patrol agents as of September 30, 2010 assigned to the mission of detecting and apprehending illegal entrants between the ports-of-entry. These illegal entries include aliens and drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status. It has been determined that 15 percent of the total agent time nationwide is related to drug activities. Of the 15 percent of total agent time related to drug activities, 3.5 percent of agents' efforts are related to intelligence and 96.5 percent are related to drug interdiction. These activities include staffing 34 permanent border traffic checkpoints nationwide (including 905 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers), truck trailers, passenger vehicles, and boats. In addition, agents perform line watch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

OFFICE OF FIELD OPERATIONS

The Office of Cargo Conveyance and Security/Non-Intrusive Inspection Division of OFO estimates that, as of September 2010, there were 5,108 CBP officer positions related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (A-TCET). CBP established these teams in 2003, uniting the former Contraband Enforcement Teams (CET), Manifest Review Units (MRU), Non-Intrusive Inspection, Canine, and Outbound teams to form a single A-TCET enforcement team. The A-TCET also works closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) to coordinate all enforcement activities. Although a significant mission of A-TCET teams is anti-terrorism, they also focus on all types of contraband, including narcotics. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. Of the percent of OFO's resources related to drug activities, 17 percent are related to intelligence and 83 percent are related to drug interdiction. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2010, there were 614 Canine Enforcement Officers with assigned dogs. Among this total of dogs paired with an officer, 181 were Narcotics Detection Teams and 289 Narcotics/Human Smuggling Detection Teams that were nearly 100 percent devoted to smuggling interdiction.

As of September 2010, there were also 14,800 other CBP officers, who, in addition to the interdiction of contraband and illegal drugs, enforce hundreds of laws and regulations of many other Federal government agencies. The other Federal agencies include the U.S. Fish and Wildlife Service; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Bureau of Export Administration; and many others. CBP subject matter experts estimate that approximately 30 percent of these officers' time is devoted to drug-related activities.

OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, and support and maintenance of technology, such as Non-Intrusive Inspection systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center; 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) systems software costs; 50 percent of the Enforcement Communications System (TECS); and 10 percent of data center operations costs are estimated to support the drug mission. Of the percent of OIT's resources related to drug activities, 32 percent are related to intelligence and 68 percent are related to drug interdiction.

OFFICE OF TRAINING AND DEVELOPMENT

OTD provides courses which are funded via the National Training Plan (NTP). Specific training programs involving drug control activities include the canine training programs and basic, specialized, and advanced training for CBP Officers. Other OTD resources were attributed to drug enforcement activities based on the diverse nature of OTD's programs such as anti-terrorism, development of national programs, career development, leadership, new course design/development, and succession management for the workforce. OTD's methodology evaluates the number of course hours dedicated to drug interdiction within the NTP and for each course compares drug interdiction course hours against total course hours to determine the percentage for drug interdiction.

OFFICE OF AIR & MARINE OPERATIONS

OAM's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, CBP OAM targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit and Arrival Zones. In support of Source and Transit Zone interdiction operations, the CBP OAM P-3 Program has dedicated a minimum of 7,200 hours a year in support of Joint Interagency Task Force (JITF) – South. Although OAM's P-3 fleet continued its Service Life Extension Program (SLEP) and wing replacement program in FY 2010, the P-3's flew over 7,700 flight hours. CBP OAM P-3 exceeded flight hour commitments to JITF-South during FY 2010 and provided additional surveillance support along the northern border. Successful completion of the SLEP program will add 15,000 flight hours to the service life of the CBP OAM P-3 fleet. The P-3 fleet will continue to play a significant role in interdiction, law enforcement, and air domain security in Source, Transit and Arrival Zones through FY 2027.

90 percent of the resources that support CBP OAM are considered to be drug-related. Of the percent of OAM's resources related to drug activities, 22 percent are related to intelligence and 78 percent are related to drug interdiction. Currently, OAM is dedicating significant assets and personnel in support of Operation HALCON – a US/Mexico interdiction initiative, and support to OBP in Southwest Border illegal alien intervention.

2. Methodology Modifications

The drug control methodology for obligations for FY 2010 remained the same as FY 2009.

3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2010 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

Reporting Pursuant to the Department of Homeland Security (DHS) Financial Accountability Act. P.L 108-330:

a. Financial Reporting – Reportable Condition

CBP had deficiencies in the area of contractor oversight and coordination with program offices regarding the proper accounting for specific activities. In addition, CBP had deficiencies regarding the review of adjusting journal entries in the general ledger. CBP has corrective action plans in place to improve contractor oversight and coordination and adjusting journal entry review in FY 2011.

b. Budgetary Accounting – Reportable Condition

CBP is implementing policies and procedures requiring the timely review and deobligation of funds when the contracts have expired or are complete. While improvements occurred in FY 2010, the results of testing indicated that this condition requires additional oversight before full compliance with these policies and procedures can be achieved. CBP has a corrective action plan to improve compliance in FY 2011.

Reporting Pursuant to Federal Managers' Financial Integrity Act Section 4. 31 U.S.C. 3512 (d)(2)(B):

a. Financial Systems Security – Non-Conformance of Applicable Laws/DHS Directives

For FY 2010, CBP assessed the application user access and configuration management controls over the Chief Financial Officer (CFO)-Designated Financial Systems and external third party systems that process data for the budgetary management, payment management, and human resources/payroll management systems. As a result of this assessment, it was noted that one CFO designated system had several weaknesses with user access controls and user management policies and procedures, thereby resulting in a reportable condition. CBP continues to implement corrective actions to improve financial systems security issues.

4. Reprogrammings or Transfers

Within Fiscal Year (FY) 2010, there was one reprogramming request that affected the drug budget, specifically, the Salaries and Expense drug budget decision unit. This reprogramming addressed the shortfalls in user fee collections and the journeyman pay increase. This reprogramming action to the Inspections, Trade, and Travel Facilitation at the Ports of Entry Programs, Projects, and Activities (PPA) from the International Cargo Screening; Air and Marine Operations, Personnel Compensation and Benefits; Customs-Trade Partnership Against Terrorism; Training at the Ports; and Headquarters Management and Administration PPAs, resulted in a \$6.9 million increase to the FY 2010 drug control budget.

5. Other Disclosures

There are no other disclosures we feel are necessary to clarify any issues regarding the data reported under the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, Section (6)(b)(1).

B. Assertions

1. Obligations by Budget Decision Unit

Not Applicable - noted in the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, Section (6)(b)(1).

2. Drug Methodology

CBP asserts that the methodology used to estimate drug enforcement related obligations is reasonable and accurate. The criteria associated with this assertion are as follows:

a. Data

The estimate of drug enforcement related obligations is based on the methodology described in section A.1 above, and presents a fair and accurate picture of the CBP drug enforcement mission.

b. Other Estimation Methods

As referenced in section A.1, program offices used expert opinion to determine drug budget methodologies. Intelligence and interdiction levels were established and computed based upon the professional judgment of the programs. The drug control budget program totals and the percentage of resources related to drug enforcement activities were calculated by expert opinion.

c. Financial Systems

CBP's financial systems (SAP) are capable of providing data that fairly present, in all material respects, aggregate obligations. The drug methodology described in section A.1 above is used to estimate what portion of these obligations may reasonably be considered to be associated with drug enforcement related activities.

3. Application of Drug Methodology

The methodology described in section A.1 above was used to prepare the estimates contained in this report.

4. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c)(4)(A), the ONDCP Circular on Budget Execution (revised May 1, 2007) prohibits agencies from submitting to Congress reprogramming or transfer requests that would result in a decrease or increase of \$1 million or more in funding included in the National Drug Control Program budget without obtaining prior approval from the Director of National Drug Control Policy. However, CBP submitted a reprogramming request to Congress on June 30, 2010, prior to obtaining ONDCP approval. CBP sent a letter to ONDCP dated July 19, 2010 concerning the reprogramming actions affecting the drug control budget. The reprogramming to address the user fee shortfall was approved by the House of Representatives on July 30, 2010 and approved by the Senate on July 29, 2010. Within the July 19th letter to ONDCP, CBP acknowledged that it must obtain ONDCP approval prior to obtaining Congressional approval for such transfer requests. CBP did not meet the requirement to obtain ONDCP approval prior to this submission to Congress due to exigent circumstances, but intends to be in full compliance when preparing all future reprogramming or transfer requests. The CBP Budget Office has implemented corrective actions to assure that future notifications will take place in a timely manner. No other reprogramming or transfer requests of \$1 million or more affecting the drug control budget occurred in FY 2010.

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2010.

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